



BOARD OF DIRECTORS

Agenda Report

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File #: 2025-4264

Agenda Date: 9/24/2025

Agenda Item No: FC-2

FROM: Robert Thompson, General Manager
Originator: Wally Ritchie, Director of Finance

SUBJECT:

WASTEWATER REFUNDING REVENUE OBLIGATIONS, SERIES 2025A

GENERAL MANAGER'S RECOMMENDATION

RECOMMENDATION:

Adopt Resolution No. FC-31 titled: "A Resolution of the Board of Directors of the Orange County Sanitation District Financing Corporation authorizing the execution and delivery by the Corporation of an Installment Purchase Agreement, a Trust Agreement and a Purchase Agreement in connection with the Orange County Sanitation District Wastewater Refunding Revenue Obligations, Series 2025A, authorizing the execution and delivery of such Revenue Obligations evidencing principal in an aggregate amount of not to exceed \$120,000,000 and authorizing the execution of necessary documents and related actions".

BACKGROUND

On July 23, 2025, the Board of Directors authorized the General Manager to pursue fixed rate refundings of the 2016A Revenue Obligations. Approval of the recommended actions and the associated documents will enable staff to complete the refunding process. The Financing Corporation is required to adopt the Resolution to complete the refunding.

RELEVANT STANDARDS

- The Financing Corporation is required to adopt the Resolution to complete the refunding. A Financing Corporation is required by the structure of the Revenue Obligations and was formed in April 2000 solely to satisfy this need.

PROBLEM

The interest rates payable on the 2016A Revenue Obligations are higher than current market yields.

PROPOSED SOLUTION

The issuance of up to \$120,000,000 of Wastewater Refunding Revenue Obligations, Series 2025A would allow OC San to refund outstanding 2016A Revenue Obligations using a refunding amortization structured with the objective of providing level annual debt service savings (in years with

principal maturing) and to generate net present value debt service savings of approximately \$10.4 million (equal to 9.5% of refunded principal), based on market conditions as of August 27, 2025.

TIMING CONCERNS

OC San can optionally early redeem the 2016A Revenue Obligations as of February 1, 2026. If the 2016A Revenue Obligations remain outstanding past the earliest optional redemption dates, OC San would pay interest costs above current market yields.

RAMIFICATIONS OF NOT TAKING ACTION

Not refunding the 2016A Revenue Obligations would result in OC San continuing to pay above market interest costs.

PRIOR COMMITTEE/BOARD ACTIONS

July 2025 - The Board of Directors authorized the General Manager to issue new fixed rate Certificates of Participation, to be referred to as Wastewater Refunding Revenue Obligations, in an amount sufficient to refund up to \$109,935,000 of Wastewater Refunding Revenue Obligations, Series 2016A.

February 2016 - Adopted Resolution No. FC-24 entitled; "A Resolution of the Board of Directors of the Orange County Sanitation District Financing Corporation Authorizing the execution and delivery by the Corporation of an Installment Purchase Agreement and a Trust Agreement in connection with the execution and delivery of Orange County Sanitation District Wastewater Refunding Revenue Obligations, Series 2016A, Authorizing the Execution and Delivery of such Revenue obligations evidencing principal in an aggregate amount of not to exceed \$163,000,000 and authorized the execution of necessary documents and related actions."

ADDITIONAL INFORMATION

The Board of Directors of OC San and the Financing Corporation will each be required to adopt separate Resolutions to complete this refunding. A Financing Corporation is required by the structure of the Revenue Obligations and was formed in April 2000 solely to satisfy this need. The Board of Directors of the Financing Corporation is the same as the Board of Directors of OC San and the Financing Corporation meets after an adjournment of the OC San Board.

The OC San Resolution authorizes the execution and delivery of certain legal documents and the execution and delivery of Wastewater Refunding Revenue Obligations, Series 2025A, evidencing principal in an aggregate amount of not to exceed \$120,000,000. The Resolution of the Financing Corporation is somewhat shorter and simpler and authorizes three actions.

CEQA

N/A

FINANCIAL CONSIDERATIONS

Refunding the outstanding obligations will save OC San approximately \$900,000 in interest payments per year for the remaining life of the bonds.

ATTACHMENT

The following attachment(s) may be viewed on-line at the OC San website (www.ocsan.gov) with the complete agenda package:

- Financing Corporation Resolution No. FC-31
- Installment Purchase Agreement
- Trust Agreement
- Purchase Agreement